Highlights

This issue of the *Natural Gas Monthly* contains estimates of natural gas data through March 2001 for many data series at the national level. National-level natural gas prices are available through November (electric utilities), December (residential, commercial, and industrial), or February (wellhead). State-level data are generally available through December 2000, although underground storage data are available through January 2001.

Temperatures in January and February of this year averaged 4 percent warmer than normal (Table 26), showing moderation from the colder-than-normal levels seen in November and December 2000. During the first 3 weeks of March 2001 temperatures were generally seasonable. However, at the end of the month, the Midwest and the Northeast experienced cooler-than-normal weather for several days, increasing the demand for gas for space heating. There was substantial demand for gas throughout the current heating season, which ended on March 31. Highlights of the most recent data are:

- Dry natural gas production in March 2001 is estimated to be 1,671 billion cubic feet, 2 percent higher than one year ago. The average daily rate of dry production in March at 53.9 billion cubic feet is nearly the same as the rate in February, 54.1 billion cubic feet per day, but has slowed from the daily rate of 55.1 billion cubic feet seen in December 2000 and January 2001.

- From January through March 2001, net imports of natural gas rose to 964 billion cubic feet or 10.7 billion cubic feet per day. On a daily basis, they were 12 percent greater than the comparable rate of 9.6 billion cubic feet per day during the same period of 2000. Concerns about low levels of gas in storage together with sustained demand for natural gas may have contributed to the rise in net imports.

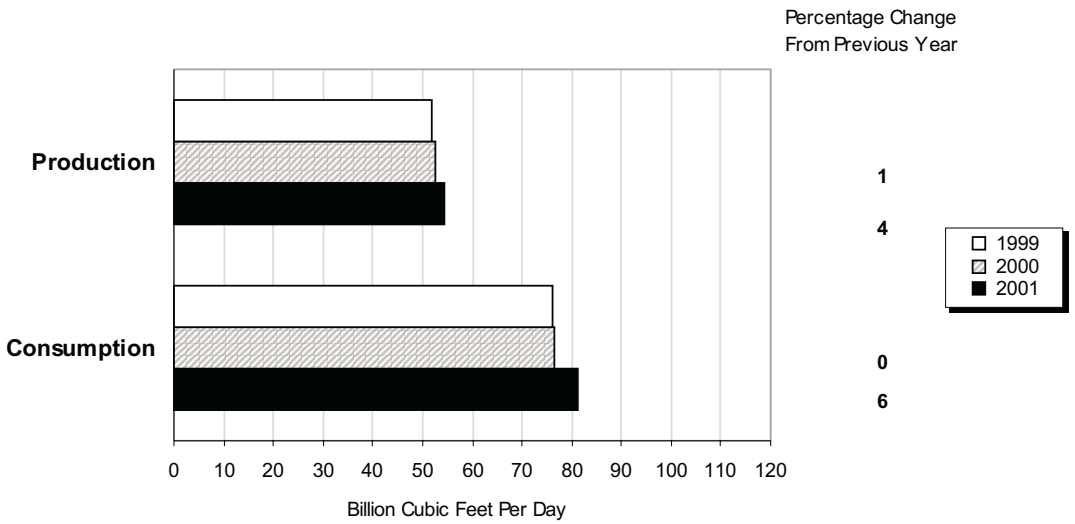
- Net withdrawals of natural gas from underground storage facilities during March 2001 are estimated at 188 billion cubic feet, 16 percent more than during March 2000 (Table 10). Below-average storage levels at the end of October 2000 and strong withdrawals during the months of November and December 2000 and January 2001, owing to 9 percent higher-than-normal heating degree days (Table 26), have led to consistently lower working gas stocks than year-earlier levels (Figure HI2). Working gas at the end of March 2001 is estimated at 718 billion cubic feet, 5 percent lower than EIA's previous record low for the end of the heating season. That record low was set at the end of March in 1996 at 758 billion cubic feet.

- Demand for gas for space heating was greater during the first quarter of 2001 than in the same period of 2000 when temperatures were warmer than normal. From January through March 2001, residential consumption was 2,530 billion cubic

Reclassification of Natural Gas in Underground Storage

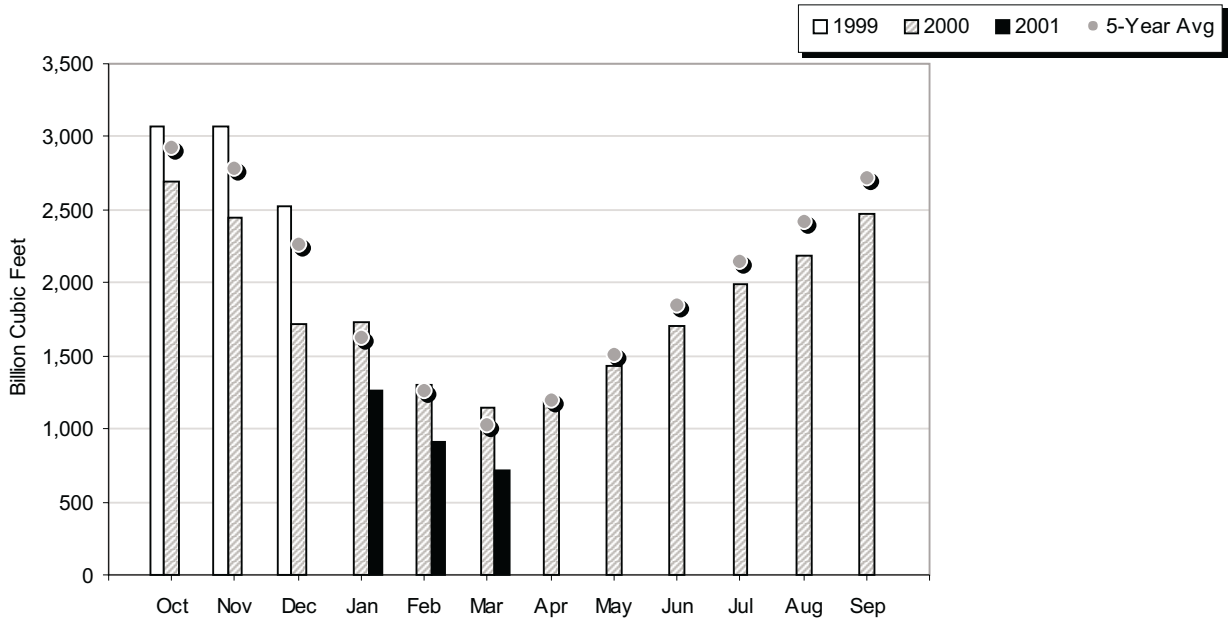
Data on natural gas in underground storage include revisions for October through December 2000. A respondent company with operations in Michigan has revised its earlier reports. This company had reclassified 74 billion cubic feet from base gas to working gas in their initial filings to the Energy Information Administration for October through December 2000. With the filing of revised reports during the latest reporting cycle, this company once again shows the volumes as base gas during these 3 months.

Figure HI1. Average Daily Rate of Natural Gas Production and Consumption, January-March, 1999-2001



Source: Table 2.

Figure HI2. Working Gas in Underground Storage in the United States, 1999-2001



Note: The 5-year average is calculated using the latest available monthly data. For example, the December average is calculated from December storage levels for 1996 to 2000 while the January average is calculated from January levels for 1997 to 2001. Data are reported as of the end of the month, thus October data represent the beginning of the heating season.

Source: Form EIA-191, "Underground Natural Gas Storage Report," Form EIA-176, "Annual Report of Natural and Supplemental Gas Supply and Disposition," and Short-Term Integrated Forecasting System.

feet or 28.1 billion cubic feet per day, 16 percent above the daily rate for the same period in 2000. Total end-use consumption of natural gas for the first quarter of the year is estimated to be 6,778 billion cubic feet or 75.3 billion cubic feet per day, 7 percent higher than the comparable daily rate of 70.3 billion cubic feet per day seen in 2000.

- All end-use sectors paid higher prices for natural gas in 2000 than in 1999, although the average billing practices of many local distribution companies have helped to dampen somewhat the increase seen in the residential and commercial sectors. The estimated average wellhead price was $3.60 per thousand cubic feet in 2000 while the estimated city gate price was $4.68 per thousand cubic feet (Table 4). These prices were $1.43 and $1.52 per thousand cubic feet higher, respectively, than in 1999. In contrast, residential and commercial[1] prices for 2000 are estimated to be $7.70 and $6.16 per thousand cubic feet, respectively. These levels are $1.01 and $0.83 per thousand cubic feet higher than in 1999. Industrial and electric utility prices respond more quickly to changes in the wellhead price. Estimated prices for natural gas in 2000 are $4.45 for the industrial sector and $4.09 per thousand cubic feet for the electric utility sector (through November)–$1.35 and $1.48 per thousand cubic feet higher than in 1999, respectively.

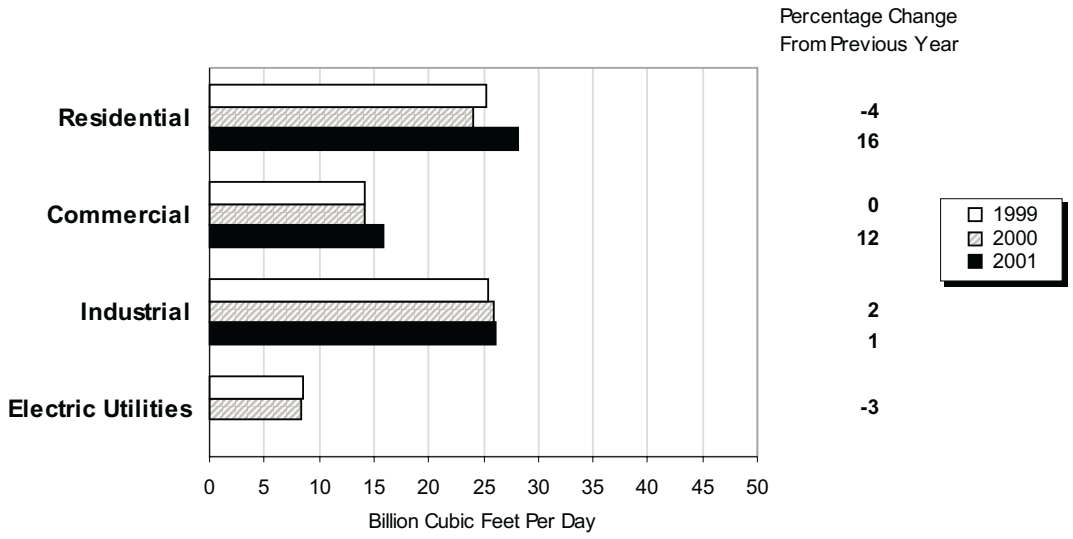
- The return to normal and colder-than-normal weather during the 2000-2001 heating season and the increase in average residential prices for natural gas have resulted in a large increase in expenditures on the part of residential users. Residential customers paid an estimated $11.55 billion for natural gas cumulatively for November and December 2000. This is 66 percent more than the $6.96 billion paid for November and December 1999.

- The national average wellhead price fell sharply in February 2001 to an estimated $5.84 per thousand cubic feet, more than $2.00 lower than the January 2001 estimate of $8.06 per thousand cubic feet. Still, the February 2001 price is more than double that of February 2000, and is higher than the average in every month of 2000, except for December.

- The NYMEX futures contract for April delivery at the Henry Hub closed on March 28, 2001, at $5.384 per million Btu (MMBtu), almost $2.50 higher than the final price for last year's April contract ($2.90). The new near-month contract for May delivery began trading at $5.274 per MMBtu on March 29.

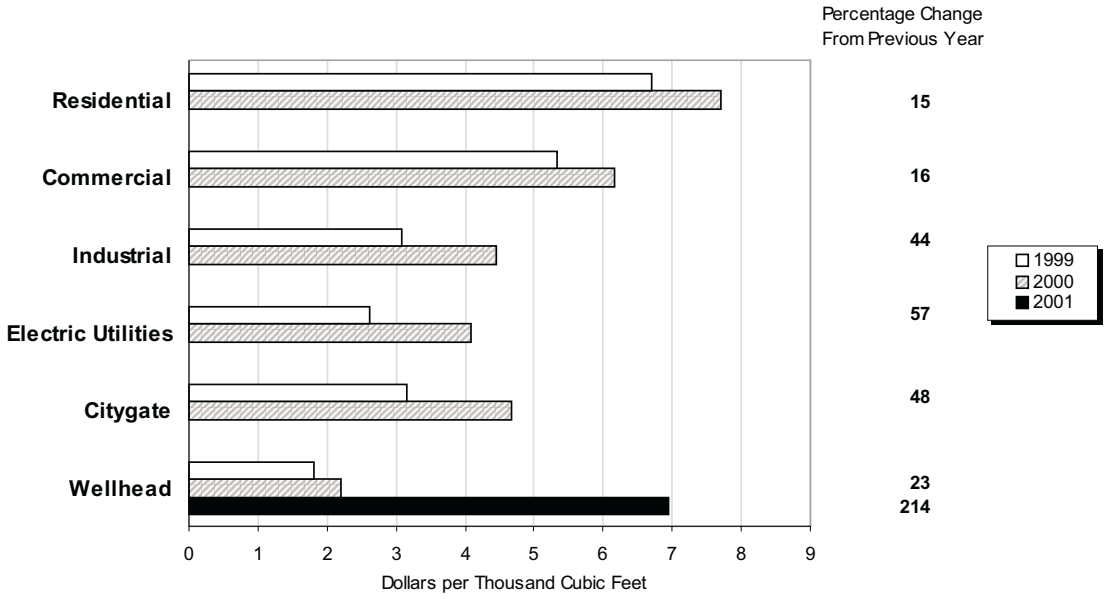
1 End-use prices in the residential, commercial, and industrial sectors are for onsystem gas sales only. While monthly onsystem sales are nearly 100 percent of residential deliveries, in 2000 they averaged 64 percent of commercial deliveries and only 16 percent of industrial deliveries (Table 4).

Figure HI3. Average Daily Rate of Natural Gas Deliveries to Consumers, January-March, 1999-2001



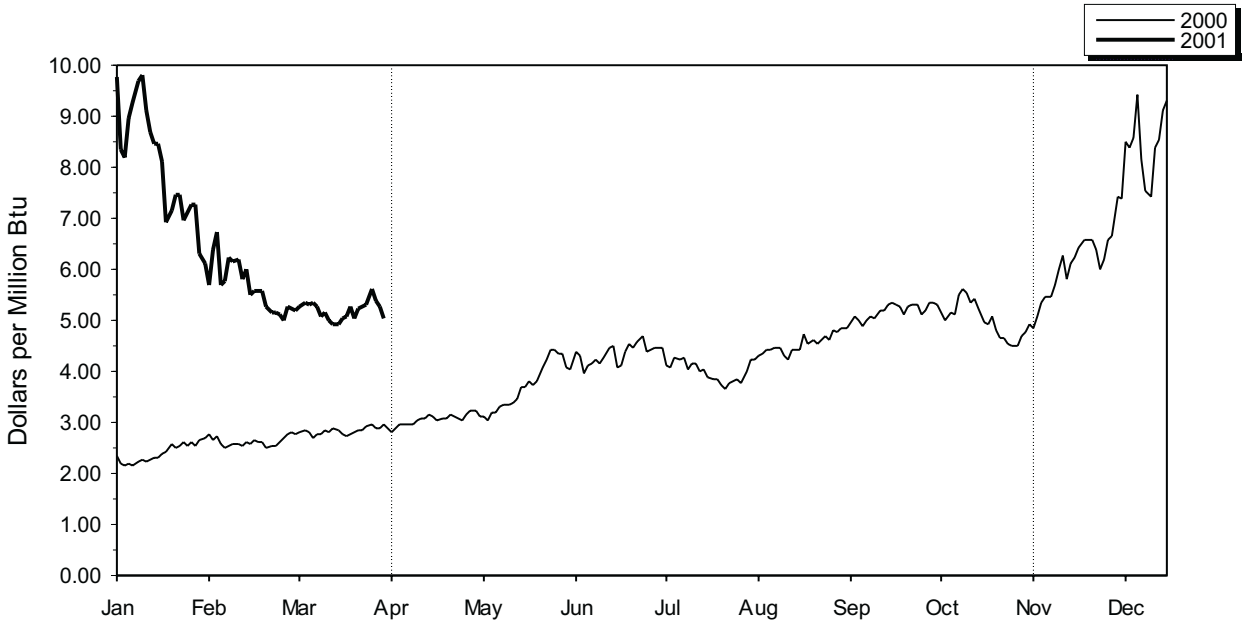
Note: Electric utilities reflect deliveries for January-December.
Source: Table 3.

Figure HI4. Average Delivered and Wellhead Natural Gas Prices, Year-to-Date, 1999-2001



Note: Commercial and industrial average prices reflect onsystem sales only. The reporting of w ellhead prices is 2 months ahead of the reporting of city gate, residential, commercial, and industrial prices. The reporting of electric utility prices is 1 month behind the reporting of city gate, residential, commercial, and industrial prices.
Source: Table 4.

Figure HI5. Daily Futures Settlement Prices at the Henry Hub



Note: The futures price is for the near-month contract, that is, for the next contract to terminate trading. Contracts are traded on the New York Mercantile Exchange. April 1 is the beginning of the natural gas storage refill season. November 1 is the beginning of the heating season.

Source: Commodity Futures Trading Commission, Division of Economic Analysis.